

**TOWN OF HAMPTON,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2011**

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**TABLE OF CONTENTS**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3 - 7
<b>Government-wide Financial Statements</b>	
A Statement of Net Assets .....	8
B Statement of Activities .....	9
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
C-1 Balance Sheet.....	10
C-2 Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets.....	11
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	12
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	14
<i>Fiduciary Funds</i>	
E Statement of Fiduciary Net Assets .....	15
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS</b> .....	16 - 32

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

<b>Governmental Funds</b>	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	33
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) .....	34 - 35
3 Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) .....	36
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet.....	37
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	38



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board of Selectmen  
Town of Hampton  
Hampton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hampton as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not recorded the capital assets in the governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

As discussed in Note 16 to the financial statements, management has not recorded the long-term costs of retirement health care and obligations for other postemployment benefits in governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities and expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the government-wide financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Hampton as of December 31, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Hampton as of December 31, 2011, and the respective changes in financial position thereof for the year then ended and the respective budgetary comparison for the general fund in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 7) and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampton's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. They are the responsibility of management and were derived from and

*Town of Hampton*  
*Independent Auditor's Report*

relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial schedules themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

September 21, 2012

*Plodzik & Sanderson*  
*Professional Association*

## Management Discussion and Analysis

Having responsibility for the financial management of the Town of Hampton (“Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2011.

### ***Overview of Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Hampton’s basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hampton’s finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on most of the Town of Hampton’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Hampton is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the Town of Hampton include general government, public safety, roadways, cemetery, library, trust and capital reserve funds, grants, conservation, sanitation, culture and recreation.

**Fund financial statements.** A *fund* is a set of reports that is used to segregate specific activities. For example, Emergency Medical Services activity, which is paid from fees charged for ambulance services, is reported separately from the Cable Committee activity, which is paid from franchise fees paid by the local cable company. The Town of Hampton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Hampton can be divided into two categories: governmental or fiduciary funds.

***Governmental Funds.*** *Governmental Funds* are used to report on the general operations of the town. They are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus only on current expenditures and revenue (*inflows and outflows of spendable resources this year*), as well as on balances (*of spendable resources*) available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Hampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

***Fiduciary Funds.*** *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Hampton town government, such as developer's performance bonds and school impact fees. Fiduciary funds are *not* reflected in the government-wide financial statements because these funds are not available to support the Town of Hampton's own programs. The accounting used for the fiduciary funds is much like that used for businesses.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## ***Government-wide Financial Analysis***

As noted earlier, net assets may, over time serve as a useful indicator of a government's financial position. In the case of Hampton, assets exceeded liabilities by \$3,495,860 at the close of the most recent fiscal year.

Though required by GASB 34, the government-wide statement of net assets does not include any of the Town's capital assets nor the accumulated depreciation on those assets; and the government-wide statement of activities does not include depreciation expense related to those assets. These amounts have not been determined. Since *Invested in capital assets net of related debt* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings, this amount is shown as a large negative balance which is equal to the total debt.

### **Town of Hampton - Net Assets**

	<b>Governmental Activities</b>	
	2011	2010
Current & other assets	38,214,642	38,257,159
Capital assets	Not Inventoried	Not Inventoried
Total assets	38,214,642	38,257,159
Long-term liabilities outstanding	19,100,499	20,292,778
Other liabilities	15,618,224	15,667,036
Total liabilities	34,718,723	35,959,814
Net Assets:		
Investment in capital assets net of related debt	(20,067,976)	(21,072,008)
Restricted assets	16,047,760	16,340,870
Unrestricted assets	7,516,135	7,028,483
Total net assets	3,495,919	2,297,345

For the second year in a row, the Town of Hampton was able to report substantial increases and positive balances in its net assets, for the government as a whole.

## Town of Hampton - Changes in Fund Balances

### Governmental Activities

	2011 Amount	2010 Amount	Difference
<b>Revenues:</b>			
Program revenues:			
Charges for services	1,957,601	1,995,675	(38,074)
Operating grants	2,043,219	2,167,571	(124,352)
General revenues:			
Taxes	19,122,710	19,263,171	(140,461)
Licenses and permits	2,684,206	2,641,202	43,004
Unrestricted grants	712,603	867,876	(155,273)
Miscellaneous	25,519	697,182	(671,663)
Total revenues	26,545,858	27,632,677	(1,086,819)
<b>Expenses:</b>			
General Government	7,432,800	6,841,944	590,856
Public Safety	7,981,776	8,366,341	(384,565)
Highways and Streets	2,168,070	1,811,470	356,600
Sanitation	3,085,441	3,337,203	(251,762)
Health	290,965	286,905	4,060
Welfare	42,686	45,428	(2,742)
Culture & Recreation	1,276,653	1,276,194	459
Conservation	36,817	23,767	13,050
Interest on long-term debt	777,906	826,656	(48,750)
Capital Outlay	2,254,170	1,386,818	867,352
Total governmental activities	25,347,284	24,202,726	1,144,558
Change in net assets	1,198,574	3,429,951	(2,231,377)
Beginning net assets	2,297,345	(1,132,606)	3,429,951
Ending net assets	3,495,919	2,297,345	1,198,574

### General fund budgetary highlights

As shown in the above chart, revenues received during 2011 decreased by \$(1,086,819) from 2010. The actual **budgetary revenues** (see Exhibit D) were more than the budget for estimated revenues by \$324,253. Taxes were positive due to late changes to some property assessments; Licenses and Permits were down due to the shortfall in motor vehicle registrations; the overage in Intergovernmental came from miscellaneous State grants and reimbursements; Charges for Services reflects another banner year for parking lot revenues and Public Works' recycled materials; and the excess in Miscellaneous was due to District Court fines.



The overall, total governmental expenditures increased by \$1,144,558 (4.7%) over the prior year. The majority of the increase was due to Capital Outlays for multiple pieces of new DPW Equipment (see list below).

The actual **budgetary expenditures** (see Exhibit D) were less than the final budget for expenses by \$135,654 or only 0.53% of budget. Unlike the prior year, this net variance consisted of relatively small positive/negative variances from budget in all the departments.

A town wide revaluation was completed in 2011 with the resulting total property valuation decreasing by \$338,719,500 or 11.1%. The total property tax commitment for 2011 was \$48,292,533 which was a decrease of \$572,363 from the prior year. This reduction in taxes to be raised would have resulted in a reduction in the Town's tax rate (had the total property valuation equaled the prior year's figure). For this reason, the Board of Selectmen chose not to use any of the Town's general fund balance to lower the Town's portion of the tax rate.

## Capital Assets and Debt Administration

**Capital Assets** As discussed above, the purchase cost of capital items is treated as a current year expense versus recording them as assets to be depreciated over their estimated useful life. The effect on the 2011 financials was an expense of \$1,960,806 with no depreciation being recorded. The following is a list of the items purchased:

Description	Cost
PD - Cruisers (4)	\$ 84,146.00
PD - Cargo Van	\$ 27,081.00
DPW - Rubbish Truck (3)	\$ 749,645.00
DPW - Ejection Trailer (3)	\$ 526,950.00
DPW - Sludge Truck	\$ 158,005.00
DPW - Truck Mounted Sewer Jet	\$ 73,554.00
DPW - 4X4 PU Truck (2)	\$ 50,392.00
Road Improvements	\$ 200,627.00
Pk & Rec - 4X4 PU Truck	\$ 23,362.00
Pk & Rec - Infrastructure Improv.	\$ 67,044.00

**Long Term Debt** At the end of the current fiscal year, the Town of Hampton had total debt outstanding of \$20,067,976 which is a 4.8% decrease from the \$21,072,008 owed at the end of 2010. Included in the 2011 total is \$1,232,907 of "new" debt related to the MSW and recycling equipment that was purchased under 2011 Warrant Article #8.

NH RSA 33:4-A establishes a debt limit. Towns may not incur outstanding indebtedness exceeding 3% of the town valuation (\$2,716,364,500) or **\$81,490,935**. Hampton's current debt is 25% of the maximum allowable, so it is well within its debt limit. Hampton has an allowed debt margin of \$61,422,900.

## Requests for information

This financial report is designed to provide a general overview of the Town of Hampton's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 100 Winnacunnet Road, Hampton, NH 03842.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Statement of Net Assets**  
**December 31, 2011**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,214,485
Investments	16,860,415
Intergovernmental receivable	755,080
Other receivables, net of allowances for uncollectible	4,334,587
Prepaid items	49,366
Tax deeded property held for resale	709
Total assets	<u>38,214,642</u>
<b>LIABILITIES</b>	
Accounts payable	211,200
Accrued salaries and benefits	152,654
Intergovernmental payable	12,309,016
Accrued interest payable	170,550
Escrow and performance deposits	88,442
Unearned revenue	90,744
Noncurrent obligations:	
Due within one year:	
Bonds	2,363,618
Compensated absences	212,000
Accrued landfill postclosure care costs	20,000
Due in more than one year:	
Bonds	17,704,358
Compensated absences	1,116,141
Accrued landfill postclosure care costs	280,000
Total liabilities	<u>34,718,723</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(20,067,976)
Restricted for:	
Perpetual care	15,584,571
Capital project	463,189
Unrestricted	7,516,135
Total net assets	<u>\$ 3,495,919</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT B**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2011**

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Assets
Governmental activities:				
General government	\$ 7,432,800	\$ 42,899	\$ 1,389,136	\$ (6,000,765)
Public safety	7,981,776	954,130	212,521	(6,815,125)
Highways and streets	2,168,070	325,595	313,360	(1,529,115)
Sanitation	3,085,441	58,210	108,270	(2,918,961)
Health	290,965	-	-	(290,965)
Welfare	42,686	-	-	(42,686)
Culture and recreation	1,276,653	576,767	-	(699,886)
Conservation	36,817	-	19,932	(16,885)
Interest on long-term debt	777,906	-	-	(777,906)
Capital outlay	2,254,170	-	-	(2,254,170)
Total governmental activities	<u>\$ 25,347,284</u>	<u>\$ 1,957,601</u>	<u>\$ 2,043,219</u>	<u>(21,346,464)</u>
General revenues:				
Taxes:				
Property				18,757,296
Other				365,414
Motor vehicle permit fees				2,486,873
Licenses and other fees				197,333
Grants and contributions not restricted to specific programs				712,603
Miscellaneous				25,519
Total general revenues				<u>22,545,038</u>
Change in net assets				1,198,574
Net assets, beginning				2,297,345
Net assets, ending				<u>\$ 3,495,919</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-1**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2011**

	General	Permanent	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,920,106	\$ 130,296	\$ 1,116,979	\$ 16,167,381
Investments	-	15,469,509	130,746	15,600,255
Receivables, net of allowance for uncollectible:				
Interest	-	119,407	-	119,407
Taxes	3,714,593	-	-	3,714,593
Accounts	43,053	-	457,534	500,587
Interfund receivable	487,807	-	4,554	492,361
Voluntary tax liens	79,308	-	-	79,308
Voluntary tax liens reserved until collected	(79,308)	-	-	(79,308)
Prepaid items	115,247	-	3,132	118,379
Tax deeded property, subject to resale	709	-	-	709
Restricted - Cash and cash equivalents	47,104	-	-	47,104
Restricted - Investments	1,260,160	-	-	1,260,160
Total assets	<u>\$ 20,588,779</u>	<u>\$ 15,719,212</u>	<u>\$ 1,712,945</u>	<u>\$ 38,020,936</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 204,474	\$ -	\$ 6,726	\$ 211,200
Accrued salaries and benefits	152,654	-	-	152,654
Intergovernmental payable	12,309,016	-	-	12,309,016
Interfund payable	4,554	134,641	353,166	492,361
Escrow and performance deposits	88,442	-	-	88,442
Deferred revenue	47,868	-	42,876	90,744
Total liabilities	<u>12,807,008</u>	<u>134,641</u>	<u>402,768</u>	<u>13,344,417</u>
Fund balances:				
Nonspendable	115,956	15,584,571	3,132	15,703,659
Restricted	195,913	-	463,189	659,102
Committed	1,461,419	-	87,746	1,549,165
Assigned	941,194	-	826,808	1,768,002
Unassigned	5,067,289	-	(70,698)	4,996,591
Total fund balances	<u>7,781,771</u>	<u>15,584,571</u>	<u>1,310,177</u>	<u>24,676,519</u>
Total liabilities and fund balances	<u>\$ 20,588,779</u>	<u>\$ 15,719,212</u>	<u>\$ 1,712,945</u>	<u>\$ 38,020,936</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-2**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Assets**  
**December 31, 2011**

Total fund balances of governmental funds (Exhibit C-1)		\$ 24,676,519
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Assets.		
Receivables	\$ (492,361)	
Payables	<u>492,361</u>	
		-
Other long-term assets are not available to pay current-period expenditures, therefore, are not reported in governmental funds.		
Intergovernmental receivable (long-term portion)		755,080
Principal and interest paid in advance of the due date is recorded as a prepaid item in the governmental funds, but reduces the principal liability and is recorded as an expense in the governmental activities.		
Prepaid principal and interest on debt		(69,013)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(170,550)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds	\$ 20,067,976	
Compensated absences	1,328,141	
Accrued landfill postclosure care costs	<u>300,000</u>	
		<u>(21,696,117)</u>
Total net assets of governmental activities (Exhibit A)		<u><u>\$ 3,495,919</u></u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-3**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2011**

	General	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 19,122,710	\$ -	\$ -	\$ 19,122,710
Licenses and permits	2,684,206	-	-	2,684,206
Intergovernmental	1,783,465	-	52,055	1,835,520
Charges for services	932,059	-	1,094,915	2,026,974
Miscellaneous	587,339	336,451	29,022	952,812
Total revenues	<u>25,109,779</u>	<u>336,451</u>	<u>1,175,992</u>	<u>26,622,222</u>
Expenditures:				
Current:				
General government	7,350,445	15,842	1	7,366,288
Public safety	7,287,514	-	691,768	7,979,282
Highways and streets	2,153,640	-	-	2,153,640
Sanitation	3,185,441	-	-	3,185,441
Health	290,965	-	-	290,965
Welfare	42,686	-	-	42,686
Culture and recreation	1,083,856	-	184,798	1,268,654
Conservation	-	-	36,817	36,817
Debt service:				
Principal	2,285,302	-	-	2,285,302
Interest	806,119	-	-	806,119
Capital outlay	2,213,148	-	41,022	2,254,170
Total expenditures	<u>26,699,116</u>	<u>15,842</u>	<u>954,406</u>	<u>27,669,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,589,337)</u>	<u>320,609</u>	<u>221,586</u>	<u>(1,047,142)</u>
Other financing sources (uses):				
Transfers in	800,763	-	27,793	828,556
Transfers out	(27,793)	(613,719)	(187,044)	(828,556)
Debt proceeds	1,292,300	-	-	1,292,300
Total other financing sources and uses	<u>2,065,270</u>	<u>(613,719)</u>	<u>(159,251)</u>	<u>1,292,300</u>
Net change in fund balances	475,933	(293,110)	62,335	245,158
Fund balances, beginning, as restated (see Note 14)	7,305,838	15,877,681	1,247,842	24,431,361
Fund balances, ending	<u>\$ 7,781,771</u>	<u>\$ 15,584,571</u>	<u>\$ 1,310,177</u>	<u>\$ 24,676,519</u>

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-4**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended December 31, 2011*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 245,158
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Decrease in deferred aid revenue		(76,364)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (828,556)	
Transfers out	828,556	
		-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		
Proceeds of debt	\$ (1,292,300)	
Repayment of bond principal	2,252,306	
Repayment of capital lease principal	44,026	
		1,004,032
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 28,189	
Increase in compensated absences payable	(102,441)	
Decrease in accrued landfill postclosure care costs	100,000	
		25,748
Changes in net assets of governmental activities (Exhibit B)		<u>\$ 1,198,574</u>

The notes to the basic financial statements are an integral part of this statement.



**EXHIBIT D**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 18,959,930	\$ 18,959,930	\$ 19,122,710	\$ 162,780
Licenses and permits	2,703,824	2,703,824	2,684,206	(19,618)
Intergovernmental	1,165,462	1,557,933	1,617,322	59,389
Charges for services	824,840	824,840	932,059	107,219
Miscellaneous	447,530	447,530	462,013	14,483
Total revenues	<u>24,101,586</u>	<u>24,494,057</u>	<u>24,818,310</u>	<u>324,253</u>
Expenditures:				
Current:				
General government	7,380,300	7,365,497	7,235,912	129,585
Public safety	7,047,545	7,074,428	7,072,147	2,281
Highways and streets	1,920,825	2,190,892	2,110,424	80,468
Sanitation	3,524,676	3,266,509	3,093,425	173,084
Health	292,041	290,341	287,579	2,762
Welfare	103,000	74,000	42,686	31,314
Culture and recreation	150,631	150,631	227,691	(77,060)
Debt service:				
Principal	2,236,941	2,236,941	2,285,302	(48,361)
Interest	811,333	811,333	806,119	5,214
Capital outlay	<u>1,725,050</u>	<u>2,117,521</u>	<u>2,281,154</u>	<u>(163,633)</u>
Total expenditures	<u>25,192,342</u>	<u>25,578,093</u>	<u>25,442,439</u>	<u>135,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,090,756)</u>	<u>(1,084,036)</u>	<u>(624,129)</u>	<u>459,907</u>
Other financing sources (uses):				
Transfers in	675,931	675,931	1,208,578	532,647
Transfers out	(1,477,475)	(1,484,195)	(1,484,195)	-
Proceeds from long-term debt	<u>1,292,300</u>	<u>1,292,300</u>	<u>1,292,300</u>	<u>-</u>
Total other financing sources and uses	<u>490,756</u>	<u>484,036</u>	<u>1,016,683</u>	<u>532,647</u>
Net change in fund balances	<u>\$ (600,000)</u>	<u>\$ (600,000)</u>	392,554	<u>\$ 992,554</u>
Increase in nonspendable fund balance			(115,956)	
Decrease in assigned for abatements			81,682	
Unassigned fund balance, beginning			4,709,009	
Unassigned fund balance, ending			<u>\$ 5,067,289</u>	

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT E**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Fiduciary Net Assets*  
*December 31, 2011*

	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 157,238
Investments	<u>483,977</u>
Total assets	<u>641,215</u>
<b>LIABILITIES</b>	
Due to other governmental units	483,977
Due to others	<u>157,238</u>
Total liabilities	<u>641,215</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

	<u><b>NOTE</b></u>
<b>Summary of Significant Accounting Policies .....</b>	<b>1</b>
Reporting Entity.....	1-A
Basis of Presentation.....	1-B
Measurement Focus .....	1-C
Cash and Cash Equivalents .....	1-D
Restricted Assets.....	1-E
Investments .....	1-F
Receivables.....	1-G
Interfund Balances .....	1-H
Prepaid Items .....	1-I
Allowances for Uncollectible Accounts.....	1-J
Deferred/Unearned Revenue.....	1-K
Compensated Absences .....	1-L
Long-Term Obligations .....	1-M
Claims and Judgments .....	1-N
Equity/Fund Balance Classifications .....	1-O
Interfund Activities .....	1-P
Use of Estimates .....	1-Q
<b>Stewardship, Compliance, and Accountability .....</b>	<b>2</b>
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis .....	2-B

***DETAILED NOTES ON ALL FUNDS***

<b>Cash and Cash Equivalents .....</b>	<b>3</b>
<b>Investments .....</b>	<b>4</b>
<b>Restricted Assets.....</b>	<b>5</b>
<b>Taxes Receivable.....</b>	<b>6</b>
<b>Other Receivables.....</b>	<b>7</b>
<b>Interfund Balances and Transfers .....</b>	<b>8</b>
<b>Intergovernmental Payables.....</b>	<b>9</b>
<b>Long-Term Liabilities .....</b>	<b>10</b>
<b>State Aid to Water Pollution Projects .....</b>	<b>11</b>
<b>Governmental Activities Net Assets.....</b>	<b>12</b>
<b>Governmental Fund Balances .....</b>	<b>13</b>
<b>Prior Period Adjustment .....</b>	<b>14</b>
<b>Employee Retirement Plan .....</b>	<b>15</b>
<b>Other Postemployment Benefits (OPEB) .....</b>	<b>16</b>
<b>Risk Management.....</b>	<b>17</b>
<b>Cafeteria Benefit Plan .....</b>	<b>18</b>
<b>Contingent Liabilities.....</b>	<b>19</b>
<b>Implementation of New GASB Pronouncements.....</b>	<b>20</b>
<b>Subsequent Events.....</b>	<b>21</b>

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Hampton, New Hampshire (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

***1-A Reporting Entity***

The Town of Hampton is a municipal corporation governed by an elected 5-member Board of Selectmen and Town Manager. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

***1-B Basis of Presentation***

***Government-wide Financial Statements*** – The government-wide financial statements display information about the Town as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The effect of interfund activity has been eliminated from these statements.

The Statement of Net Assets presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net assets, with the exception of the capital assets and related accumulated depreciation, which have been omitted because they have not been inventoried at historical cost. Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include (1) charges to customers or applicants for goods received, services rendered or privileges provided, and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements*** – The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund has a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized as major funds or nonmajor funds within the governmental and fiduciary statements, with an emphasis placed on the major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type;
- (b) Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined; and
- (c) In addition, any other governmental fund that the Town believes is particularly important to the financial statement users may be reported as a major fund.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**Governmental Activities** – Governmental funds are identified as general, special revenue, capital projects, and permanent funds, based upon the following guidelines:

**General Fund** – is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purpose other than capital projects.

**Capital Projects Funds** – are used to account for and report financial that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Permanent Funds** – are used to account for resources legally held in trust. All resources of the fund, including earnings on invested resources, may be used to support the Town.

**Fiduciary Fund Types** – These funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. Fiduciary fund types are not part of the reporting entity in the government-wide financial statements, but are reported in a separate Statement of Fiduciary Net Assets. These funds are as follows:

**Agency Funds** – are used to account for resources held by the Town in a purely custodial capacity, for individuals, private organizations, and/or governmental units.

**Major Funds** – The Town reports the following major governmental funds:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Permanent Funds** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

**Nonmajor Funds** – The Town also reports fourteen nonmajor governmental funds.

**1-C Measurement Focus**

**Government-wide and Fiduciary Fund Financial Statements** – The government-wide and fiduciary fund financial statements, except for agency funds which have no measurement focus, are reported using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues (except property taxes mentioned below) to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**Revenues – Exchange Transactions** – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis revenue is recorded when the exchange takes place in the fiscal year in which the resources are measurable and become available.

**Revenues – Nonexchange Transactions** – Nonexchange transactions in which the Town receives value without directly giving equal value in return include property taxes, certain fees, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all grantor imposed eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available before it can be recognized (Interpretation No. 1, as modified, 60-day rule), with the exception of property taxes which are committed and recognized as revenue in order to offset the liability due the school district to be paid in monthly installments over the next six months. This practice is consistent with the previous years.

**1-D Cash and Cash Equivalents**

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

New Hampshire statutes require that the Town Treasurer have custody of all money belonging to the Town and pay out the same only upon orders of Town Manager. The treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to New Hampshire RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

**1-E Restricted Assets**

Certain cash and investment accounts are classified as restricted assets on the Balance Sheet because they are maintained in separate bank accounts and their use is legally restricted for specified purposes; laws or enabling legislation.

**1-F Investments**

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices.

**1-G Receivables**

Receivables in the government-wide and governmental fund financial statements represent amounts due to the Town at December 31, recorded as revenue, which will be collected in the future and consist primarily of taxes, accounts, interest, and intergovernmental receivables.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

Tax revenue is recorded when a warrant for collection is committed to the tax collector. As prescribed by law, the tax collector executes a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the two year redemption period, the property is tax deeded to the Town.

Accounts receivable include various service charges which are recorded as revenue for the period when service was provided. These receivables are reported net of any allowances for uncollectible accounts.

***1-H Interfund Balances***

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

***1-I Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

***1-J Allowance for Uncollectible Accounts***

An allowance for uncollectible accounts has been established and recorded for all ambulance receivables that are older than 120 days, and where collectability is in doubt.

***1-K Deferred/Unearned Revenue***

In the government-wide financial statements, deferred revenue is recognized when cash, receivables, or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. On the government-wide Statements of Net Assets, deferred revenue is classified as unearned revenue.

***1-L Compensated Absences***

The Town's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

Vested amounts of both vacation and sick pay are reported as long-term liabilities in the government-wide financial statements.

***1-M Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statements.

***1-N Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**1-O Equity/Fund Balance Classifications**

**Government-wide Statements** – Equity is classified as net assets and displayed in three components:

- a) *Invested in capital assets, net of related debt* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested capital assets, net of related debt.
- b) *Restricted net assets* – Consists of net assets with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Governmental Fund Balances Classification** – The Town of Hampton has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for this fiscal year ending December 31, 2011. GASB Statement No. 54 establishes fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The Town has classified inventories, prepaid items, tax deeded property subject to resale, and the principal portion of permanent funds as being nonspendable, as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. These items were previously reported as reserved for special purposes, and reserved for endowments.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Town has classified its library, library capital improvements, capital assessments, and the income portion of permanent funds as being restricted, as well as certain donations received from third parties for specific purposes because their use is restricted by Federal/State statutes for expenditures. These items were previously reported as reserved for special purposes or unreserved-designated for special purposes.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body (Town Meeting) removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Expendable trust and legislative body votes relative to the use of unassigned fund balance at year-end, in addition to non-lapsing appropriations, are included in this classification. These items were previously reported as reserved for special purposes or unreserved-designated for special purposes.

**Assigned** – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund. The Town also has assigned funds consisting of encumbrances in the general fund at year-end. This amount was previously reported as reserved for encumbrances.

**Unassigned** – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. This amount was previously reported as unreserved-undesignated.



**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 10). As discussed in Note 1-C, restricted funds are used first as appropriate, followed by committed resources, and then assigned resources, as appropriate opportunities arise. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

***1-P Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-Q Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

***2-A Budgetary Information***

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, as well as some of the nonmajor funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2011, none of the unassigned fund balance was used to reduce taxes, but \$600,000 was used to finance two appropriations to expendable trust funds.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**2-B Budgetary Reconciliation to GAAP Basis**

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 27,319,188
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Interest income earned on eliminated expendable trust funds	43,894
Miscellaneous income from eliminated expendable trust funds	41,423
Interest income earned from eliminated library fund	103
Miscellaneous income from eliminated library fund	36,430
Transfer from permanent funds to eliminated library fund	3,663
To eliminate transfers between general and expendable trust funds	(408,002)
On-behalf retirement contributions made by the State of New Hampshire recognized as revenue on the GAAP basis, but not on the budgetary basis	166,143
Per Exhibit C-3 (GAAP basis)	<u>\$ 27,202,842</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 26,926,634
Adjustment:	
Basis differences:	
Encumbrances, beginning	853,917
Encumbrances, ending	(634,597)
GASB Statement No. 54:	
To record expendable trust expenditures during the year	15,049
To record library expenditures during the year	856,165
To eliminate transfers between general and expendable trust funds	(617,550)
To eliminate transfers between general and library fund	(838,852)
On-behalf retirement contributions made by the State of New Hampshire recognized as an expenditure on the GAAP basis, but not on the budgetary basis	166,143
Per Exhibit C-3 (GAAP basis)	<u>\$ 26,726,909</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2011, \$135,857 of the Town's bank balances of \$17,863,114 was exposed to custodial credit risk as uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Assets (Exhibit A)	\$ 16,214,485
Cash per Statement of Fiduciary Net Assets (Exhibit E)	157,238
Total cash and cash equivalents	<u>\$ 16,371,723</u>

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**NOTE 4 – INVESTMENTS**

The Town maintains a portfolio of short-term maturity investments, including money market investments and repurchase agreements, which are reported at amortized cost. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments. As of December 31, 2011, the Town had the following investments:

Certificate of deposit	\$ 130,746
Mutual funds	17,213,646
	<u>\$ 17,344,392</u>

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that change could materially affect the amounts reported in the Statement of Net Assets.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

**Concentration of Credit Risk** – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in GNMA Admiral Shares. These investments are 9.59%, of the Town's total investments.

**Custodial Credit Risk** – The custodial credit risk is the risk that the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. Of the Town's \$17,344,392 in investments at December 31, 2011, \$17,213,646 of the underlying securities are held by the investment counterparties trust department, not in the name of the Town. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investment per Statement of Net Assets (Exhibit A)	\$ 16,860,415
Investment per Statement of Fiduciary Net Assets (Exhibit E)	483,977
Total investments	<u>\$ 17,344,392</u>

**NOTE 5 – RESTRICTED ASSETS**

Certain Town cash and investments are restricted for the following purposes:

Cash and cash equivalents:	
Public library	<u>\$ 47,104</u>
Investments:	
Public library	108,740
Expendable trust funds	1,151,420
Total investments	<u>1,260,160</u>
Total restricted assets	<u>\$ 1,307,264</u>

**NOTE 6 – TAXES RECEIVABLE**

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The net assessed valuation as of April 1, 2011, upon which the 2011 property tax levy was based is:

For the New Hampshire education tax	\$ 2,606,168,200
For all other taxes	\$ 2,716,364,500

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are due on or around July 1 and December 1 of each year, with interest accruing at a rate of 12% on bills outstanding after the due dates. The first billing is considered an estimate only and is one half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the New Hampshire Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax allowance at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Hampton School District, Winnacunnet Cooperative School District, Hampton Beach Village District, and Rockingham County, which are remitted as required by law. The ultimate responsibility for the collection of taxes rests with the Town.

The tax rates and amounts assessed for the year ended December 31, 2011 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.13	\$ 19,360,311
School portion:		
State of New Hampshire	\$2.55	6,635,508
Local	\$7.18	19,513,919
County portion	\$1.07	2,913,678
Precinct portions:		
Hampton Beach Village - nonexempt	\$0.55	293,494
Hampton Beach Village - exempt	\$0.15	89,258
Total		<u>\$ 48,806,168</u>

During the current fiscal year, the tax collector executed liens on June 8 and June 14 for all uncollected 2010 property taxes.

Taxes receivable at December 31, 2011, are as follows:

Property:	
Levy of 2011	\$ 2,734,473
Unredeemed (under tax lien):	
Levy of 2010	617,152
Levy of 2009	347,220
Levies of 2008 and prior	15,748
Taxes receivable	<u>\$ 3,714,593</u>

**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2011, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants, reimbursements and the sewer agreement with the Town of Rye.

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

Receivables as of December 31, 2011 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Permanent	Nonmajor Funds	Total
Receivables:				
Interest	\$ -	\$ 119,407	\$ -	\$ 119,407
Accounts	43,053	-	889,655	932,708
Liens	79,308	-	-	79,308
Gross receivables	122,361	119,407	889,655	1,131,423
Less: allowance for uncollectible	(79,308)	-	(432,121)	(511,429)
Net total receivables	<u>\$ 43,053</u>	<u>\$ 119,407</u>	<u>\$ 457,534</u>	<u>\$ 619,994</u>

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at December 31, 2011, are as follows:

Receivable Fund	Payable Fund	Amount
General	Permanent	\$ 134,641
	Nonmajor	353,166
Nonmajor	General	4,554
		<u>\$ 492,361</u>

The interfund transfers during the year ended December 31, 2011 are as follows:

	Transfers In: General Fund
Transfers out:	
Permanent fund	\$ 613,719
Nonmajor funds	214,837
Total	<u>\$ 828,556</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations.

**NOTE 9 – INTERGOVERNMENTAL PAYABLES**

Amounts due of \$12,309,016 to other governments at December 31, 2011, consist of the following:

General fund:	
Balance of 2011-2012 district assessment due to the Hampton School District	\$ 8,242,954
Balance of 2011-2012 district assessment due to the Winnacunnet Cooperative School District	4,064,123
Fees due to the State of New Hampshire	1,939
Total intergovernmental payables due from the general fund	<u>\$ 12,309,016</u>

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**NOTE 10 – LONG-TERM LIABILITIES**

Changes in the Town's long-term obligations consisted of the following for the year ended December 31, 2011:

	General Obligation Bonds Payable	Capital Lease Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs Payable	Total
Balance, beginning	\$ 21,027,982	\$ 44,026	\$ 1,225,700	\$ 400,000	\$ 22,697,708
Additions	1,292,300	-	102,441	-	1,394,741
Reductions	(2,252,306)	(44,026)	-	(100,000)	(2,396,332)
Balance, ending	<u>\$ 20,067,976</u>	<u>\$ -</u>	<u>\$ 1,328,141</u>	<u>\$ 300,000</u>	<u>\$ 21,696,117</u>

Long-term liabilities payable are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2011	Current Portion
General obligation bonds payable:						
Wastewater treatment plant	\$ 1,398,340	1999	2019	5.10	\$ 549,264	\$ 68,658
Police facility	\$ 6,323,000	2002	2012	5.75	631,000	631,000
Beach infrastructure	\$ 6,000,000	2004	2024	3.86	3,900,000	300,000
SRF	\$ 4,305,000	2005	2019	3.62	1,920,000	390,000
WWTP upgrade	\$ 4,750,000	2005	2024	3.69	3,087,500	237,500
Hurd Farm easement	\$ 2,005,000	2005	2025	4.00	1,388,072	99,148
Beach infrastructure	\$ 725,000	2005	2025	4.07	501,926	35,852
Kings' Highway	\$ 1,731,411	2007	2026	3.35	1,298,559	86,571
Beach infrastructure	\$ 4,582,257	2007	2026	3.49	3,436,695	229,113
Kings' Highway	\$ 468,000	2007	2027	4.99	406,960	17,172
Beach infrastructure	\$ 692,000	2007	2027	4.99	610,894	24,775
WWTP upgrade	\$ 1,380,251	2008	2028	3.35	1,104,199	-
Recycling equipment	\$ 1,292,300	2011	2016	3.50	1,232,907	242,829
					<u>20,067,976</u>	<u>2,362,618</u>
Compensated absences payable:						
Vested sick leave					577,126	98,789
Accrued vacation leave					154,046	25,732
Other					596,969	87,479
					<u>1,328,141</u>	<u>212,000</u>
Accrued landfill postclosure care costs payable					<u>300,000</u>	<u>20,000</u>
Total					<u>\$ 21,696,117</u>	<u>\$ 2,594,618</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2011, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2012	\$ 2,362,618	\$ 707,291	\$ 3,069,909
2013	1,811,531	651,439	2,462,970
2014	1,817,711	586,092	2,403,803
2015	1,829,322	519,766	2,349,088
2016	1,655,532	455,398	2,110,930
2017-2021	5,889,778	1,562,835	7,452,613
2022-2026	4,457,186	489,430	4,946,616
2027-2028	244,298	11,236	255,534
Totals	<u>\$ 20,067,976</u>	<u>\$ 4,983,487</u>	<u>\$ 25,051,463</u>

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**Accrued Landfill Postclosure Care Costs**

The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$300,000 as of December 31, 2011. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2011. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 11 – STATE AID TO WATER POLLUTION PROJECTS**

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

Bonds Issued	State Aid Grant Number	Principal	Interest	Amount
Sewer construction loan	C-496	\$ 105,593	\$ 12,228	\$ 117,821
Wastewater treatment facility upgrade	C-715	649,487	167,673	817,160
		<u>\$ 755,080</u>	<u>\$ 179,901</u>	<u>\$ 934,981</u>

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2011, the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	Amount	
	C-496	C-715
2012	\$ 31,290	\$ 73,914
2013	30,066	72,072
2014	28,844	70,229
2015	27,621	68,387
2016	-	66,544
2017-2021	-	305,078
2022-2024	-	160,936
Totals	<u>\$ 117,821</u>	<u>\$ 817,160</u>

**NOTE 12 – GOVERNMENTAL ACTIVITIES NET ASSETS**

Governmental activities net assets reported on the government-wide Statement of Net Assets at December 31, 2011 include the following:

Invested in capital assets, net of related debt:	
General obligation bonds payable	<u>\$ (20,067,976)</u>
Restricted for special purposes:	
Perpetual care	15,584,571
Capital projects	463,189
Total restricted for special purposes	<u>16,047,760</u>
Unrestricted	<u>7,516,135</u>
Total net assets	<u>\$ 3,495,919</u>

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**NOTE 13 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

Nonspendable:		
Major funds:		
General:		
Prepaid items	\$ 115,247	
Tax deeded property held for resale	709	
	<u>115,956</u>	
Permanent fund:		
Permanent fund (principal balance)	15,584,571	
	<u>15,700,527</u>	
Nonmajor funds:		
Special revenue:		
Prepaid items	<u>3,132</u>	
Total nonspendable fund balance		\$ 15,703,659
Restricted:		
Major fund:		
General:		
Public library	\$ 195,913	
Nonmajor fund:		
Capital project	<u>463,189</u>	
Total restricted fund balance		659,102
Committed:		
Major fund:		
General:		
Capital outlay	\$ 310,000	
Expendable trust funds	<u>1,151,419</u>	
	<u>1,461,419</u>	
Nonmajor funds:		
Special revenue	<u>87,746</u>	
Total committed fund balance		1,549,165
Assigned:		
Major fund:		
General:		
Capital outlay	\$ 7,400	
Contingency for abatements	416,597	
Contingency for legal matter	200,000	
General government	11,244	
Health	414	
Highways and streets	137,598	
Public safety	113,336	
Sanitation	<u>54,605</u>	
	<u>941,194</u>	
Nonmajor funds:		
Special revenue	797,132	
Capital project	<u>29,676</u>	
Total assigned fund balance	<u>826,808</u>	
		1,768,002

(Continued)



**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

*Governmental fund balances continued:*

Unassigned:		
Major fund:		
General	\$ 5,067,289	
Nonmajor fund:		
Capital project	(70,698)	
Total unassigned fund balance		4,996,591
Total governmental fund balances		<u>\$ 24,676,519</u>

**NOTE 14 – PRIOR PERIOD ADJUSTMENT**

Fund equity at January 1, 2011 was restated to record funds previously recorded as special revenue funds that under GASB Statement No. 54 are now considered part of the general fund:

	General Fund	Other Governmental Funds
Adjustment:		
Expendable trust funds	\$ 871,602	\$ (871,602)
Public library	173,029	(173,029)
Fund balance, as previously reported	6,261,207	2,292,473
Fund balance, as restated	<u>\$ 7,305,838</u>	<u>\$ 1,247,842</u>

**NOTE 15 – EMPLOYEE RETIREMENT PLAN**

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Through June 30, 2011, all employees except police officers and firefighters were required to contribute 5% of earnable compensation. Police officers and firefighters were required to contribute 9.3% of gross earnings. Effective July 1, 2011, the contribution rates changed to 7% for employees other than police officers and firefighters, 11.55% for police officers, and 11.80% for firefighters. The Town's contribution rates for 2011 were as follows:

	Police	Firefighters	Other Employees
January 1 through June 30	14.63%	18.52%	9.16%
July 1 through July 31	25.57%	30.90%	11.09%
August 1 through December 31	19.95%	22.89%	8.80%

The contribution requirements for the Town of Hampton for the fiscal years 2009, 2010, and 2011 were \$1,840,691, \$1,225,459, and \$1,405,584, respectively, which were paid in full in each year.

For the first six months of 2011, the State of New Hampshire funded 25% of the total employer normal contribution rate for police officers and firefighters employed by the Town. As of July 1, House Bill 2 (Chapter 0224, *Laws of 2011*) amended RSA 100-A:16 by eliminating the State's cost sharing, thereby requiring employers to fund 100% of the total employer contributions. The total amount contributed by the State for 2011, \$166,143, is reported as an "on-behalf payment" as an expenditure and revenue on the governmental fund operating statement, and as an expense and revenue on the government-wide Statement of Activities.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2011 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation is unknown.

**NOTE 17 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2011, the Town was a member of the Local Government Center Property-Liability Trust, LLC. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2011, to be recorded as an insurance expenditure totaled \$289,807. There were no unpaid contributions for the year ended December 31, 2011. The Town also paid \$429,221 for workers' compensation for the year ended December 31, 2011. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

**NOTE 18 – CAFETERIA BENEFIT PLAN**

Effective July 1, 1995, the Town implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the Town, into an account for health insurance.

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the Town begins on January 1 and ends on December 31.

**NOTE 19 – CONTINGENT LIABILITIES**

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. The Town has assigned \$200,000 to cover potential losses not covered by insurance. An additional \$416,598 has been assigned for contingency to cover real estate tax assessment appeals.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2011**

**NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of Statement No. 54 are mandatory for the Town for fiscal year ended December 31, 2011 and accordingly have been implemented, with the exception of adoption of a formal fund balance policy. GASB Statements No. 60 through No. 64, issued during 2010 and 2011, are not effective for financial statements until the subsequent years.

**NOTE 21 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the Balance Sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the Balance Sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the Balance Sheet date, but arose after the date. Management has evaluated subsequent events through September 21, 2012, the date the December 31, 2011 financial statements were issued, and no events occurred that require recognition or disclosure.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2011*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 18,582,296	\$ 18,757,296	\$ 175,000
Yield	-	189	189
Interest and penalties on taxes	377,634	365,225	(12,409)
Total from taxes	18,959,930	19,122,710	162,780
Licenses, permits, and fees:			
Business licenses, permits, and fees	4,114	4,330	216
Motor vehicle permit fees	2,515,412	2,486,873	(28,539)
Building permits	146,910	150,377	3,467
Other	37,388	42,626	5,238
Total from licenses, permits, and fees	2,703,824	2,684,206	(19,618)
Intergovernmental:			
State:			
Meals and rooms distribution	668,986	668,986	-
Highway block grant	313,360	313,360	-
Water pollution grants	108,270	108,270	-
Other	63,592	119,981	56,389
Federal:			
CDBG	392,471	392,471	-
Other	11,254	14,254	3,000
Total from intergovernmental	1,557,933	1,617,322	59,389
Charges for services:			
Income from departments	824,840	932,059	107,219
Miscellaneous:			
Sale of municipal property	17,575	17,971	396
Rent of property	172,882	173,197	315
Fines and forfeits	38,462	70,592	32,130
Other	218,611	200,253	(18,358)
Total from miscellaneous	447,530	462,013	14,483
Other financing sources:			
Transfers in	675,931	1,208,578	532,647
Proceeds of long term debt	1,292,300	1,292,300	-
Total transfers in	1,968,231	2,500,878	532,647
Total revenues and other financing sources	26,462,288	\$ 27,319,188	\$ 856,900
Unassigned fund balance appropriated	600,000		
Total revenues, other financing sources, and use of fund balance	\$ 27,062,288		

**SCHEDULE 2**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2011**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 12,123	\$ 166,339	\$ 182,385	\$ -	\$ (3,923)
Election and registration	-	220,552	195,488	1,980	23,084
Financial administration	95,967	821,462	882,051	2,990	32,388
Legal	-	295,654	261,649	-	34,005
Personnel administration	-	1,989,222	2,025,643	-	(36,421)
Planning and zoning	-	114,089	105,747	-	8,342
General government buildings	2,640	115,658	110,370	4,474	3,454
Cemeteries	-	115,515	108,570	1,800	5,145
Insurance, not otherwise allocated	-	3,450,142	3,403,877	-	46,265
Other	-	76,864	59,618	-	17,246
Total general government	110,730	7,365,497	7,335,398	11,244	129,585
Public safety:					
Police	105,704	3,525,137	3,609,643	36,164	(14,966)
Fire	56,854	2,922,839	2,935,314	58,006	(13,627)
Building inspection	-	178,430	171,313	19,167	(12,050)
Emergency management	-	1,000	876	-	124
Other	-	447,022	404,222	-	42,800
Total public safety	162,558	7,074,428	7,121,368	113,337	2,281
Highways and streets:					
Administration	5,184	1,320,381	1,361,895	15,640	(51,970)
Highways and streets	173,152	662,511	573,796	115,537	146,330
Street lighting	2,478	208,000	217,949	6,421	(13,892)
Total highways and streets	180,814	2,190,892	2,153,640	137,598	80,468
Sanitation:					
Administration	95,502	1,295,293	1,272,929	29,190	88,676
Solid waste collection	1,214	953,305	1,033,963	9,100	(88,544)
Solid waste disposal	31,204	804,911	744,896	12,219	79,000
Solid waste clean-up	-	-	-	4,095	(4,095)
Sewage collection and disposal	18,701	213,000	133,654	-	98,047
Total sanitation	146,621	3,266,509	3,185,442	54,604	173,084
Health:					
Pest control	3,800	112,190	112,814	414	2,762
Health agencies	-	178,151	178,151	-	-
Total health	3,800	290,341	290,965	414	2,762
Welfare:					
Administration	-	-	28,691	-	(28,691)
Direct assistance	-	74,000	13,995	-	60,005
Total welfare	-	74,000	42,686	-	31,314
Culture and recreation:					
Parks and recreation	-	125,481	222,550	-	(97,069)
Patriotic purposes	-	1,650	1,770	-	(120)
Other	-	23,500	3,371	-	20,129
Total culture and recreation	-	150,631	227,691	-	(77,060)

(Continued)

*SCHEDULE 2 (Continued)*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2011*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	2,236,941	2,285,302	-	(48,361)
Interest on long-term debt	-	801,333	806,119	-	(4,786)
Interest on tax anticipation notes	-	10,000	-	-	10,000
Total debt service	-	3,048,274	3,091,421	-	(43,147)
Capital outlay	249,394	2,117,521	2,213,148	317,400	(163,633)
Other financing uses:					
Transfers out	-	1,484,195	1,484,195	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 853,917</u>	<u>\$ 27,062,288</u>	<u>\$ 27,145,954</u>	<u>\$ 634,597</u>	<u>\$ 135,654</u>

**SCHEDULE 3**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2011*

Unassigned fund balance, beginning		\$ 4,709,009
Changes:		
Unassigned fund balance appropriated		(600,000)
2011 Budget summary:		
Revenue surplus (Schedule 1)	\$ 856,900	
Unexpended balance of appropriations (Schedule 2)	<u>135,654</u>	
2011 Budget surplus		992,554
Increase in nonspendable fund balance		(115,956)
Decrease in assigned for abatements		<u>81,682</u>
Unassigned fund balance, ending		<u><u>\$ 5,067,289</u></u>



**SCHEDULE 4**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2011**

	Special Revenue Funds					
	Conservation Commission	Recreation Fund	Police Grants	Police Detail	Beach Infrastructure	Police Forfeiture Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 68,285	\$ 44,241	\$ 24,374	\$ 60,042	\$ 179,546	\$ 114,327
Investments	130,746	-	-	-	-	-
Accounts receivable, net of allowance for uncollectable	-	-	-	13,500	-	-
Interfund receivable	4,554	-	-	-	-	-
Prepaid items	-	3,132	-	-	-	-
Total assets	<u>\$ 203,585</u>	<u>\$ 47,373</u>	<u>\$ 24,374</u>	<u>\$ 73,542</u>	<u>\$ 179,546</u>	<u>\$ 114,327</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ 424	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	12,162	-	-	78,036
Deferred revenue	-	13,560	-	-	-	29,316
Total liabilities	<u>-</u>	<u>13,984</u>	<u>12,162</u>	<u>-</u>	<u>-</u>	<u>107,352</u>
Fund balances:						
Nonspendable:						
Prepaid items	-	3,132	-	-	-	-
Committed	-	-	-	-	-	6,975
Assigned	203,585	30,257	12,212	73,542	179,546	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>203,585</u>	<u>33,389</u>	<u>12,212</u>	<u>73,542</u>	<u>179,546</u>	<u>6,975</u>
Total liabilities and fund balances	<u>\$ 203,585</u>	<u>\$ 47,373</u>	<u>\$ 24,374</u>	<u>\$ 73,542</u>	<u>\$ 179,546</u>	<u>\$ 114,327</u>

*SCHEDULE 4 (continued)*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2011**

Special Revenue Funds						Capital Projects Funds		Total
Emergency Medical	Cable TV	Recreation Infrastructure	Cemetery Trustees	Founders' Day	Fire Alarm Fund	Beach Infrastructure	Wastewater Treatment Plant	
\$ -	\$ 80,771	\$ 77,490	\$ 1,255	\$ 1,808	\$ 1,651	\$ 463,189	\$ -	\$ 1,116,979
-	-	-	-	-	-	-	-	130,746
444,034	-	-	-	-	-	-	-	457,534
-	-	-	-	-	-	-	-	4,554
-	-	-	-	-	-	-	-	3,132
<u>\$ 444,034</u>	<u>\$ 80,771</u>	<u>\$ 77,490</u>	<u>\$ 1,255</u>	<u>\$ 1,808</u>	<u>\$ 1,651</u>	<u>\$ 463,189</u>	<u>\$ -</u>	<u>\$ 1,712,945</u>
\$ 6,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,726
221,334	-	-	-	612	-	-	41,022	353,166
-	-	-	-	-	-	-	-	42,876
<u>227,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>612</u>	<u>-</u>	<u>-</u>	<u>41,022</u>	<u>402,768</u>
-	-	-	-	-	-	-	-	3,132
-	80,771	-	-	-	-	-	-	87,746
216,398	-	77,490	1,255	1,196	1,651	463,189	29,676	1,289,997
-	-	-	-	-	-	-	(70,698)	(70,698)
<u>216,398</u>	<u>80,771</u>	<u>77,490</u>	<u>1,255</u>	<u>1,196</u>	<u>1,651</u>	<u>463,189</u>	<u>(41,022)</u>	<u>1,310,177</u>
<u>\$ 444,034</u>	<u>\$ 80,771</u>	<u>\$ 77,490</u>	<u>\$ 1,255</u>	<u>\$ 1,808</u>	<u>\$ 1,651</u>	<u>\$ 463,189</u>	<u>\$ -</u>	<u>\$ 1,712,945</u>

**SCHEDULE 5**  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2011**

	Special Revenue Funds					
	Conservation Commission	Recreation Fund	Police Grants	Police Detail	Beach Infrastructure	Police Forfeiture Fund
Revenues:						
Intergovernmental	\$ 19,932	\$ -	\$ -	\$ -	\$ -	\$ 32,123
Charges for services	-	136,806	-	220,536	-	-
Miscellaneous	1,306	24,002	16	-	-	197
Total revenues	<u>21,238</u>	<u>160,808</u>	<u>16</u>	<u>220,536</u>	<u>-</u>	<u>32,320</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	225,126	-	32,123
Culture and recreation	-	148,301	-	-	-	-
Conservation	36,817	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>36,817</u>	<u>148,301</u>	<u>-</u>	<u>225,126</u>	<u>-</u>	<u>32,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,579)</u>	<u>12,507</u>	<u>16</u>	<u>(4,590)</u>	<u>-</u>	<u>197</u>
Other financing sources (uses):						
Transfers in	27,793	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	<u>27,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	12,214	12,507	16	(4,590)	-	197
Fund balances, beginning	<u>191,371</u>	<u>20,882</u>	<u>12,196</u>	<u>78,132</u>	<u>179,546</u>	<u>6,778</u>
Fund balances, ending	<u>\$ 203,585</u>	<u>\$ 33,389</u>	<u>\$ 12,212</u>	<u>\$ 73,542</u>	<u>\$ 179,546</u>	<u>\$ 6,975</u>

*SCHEDULE 5 (continued)*  
**TOWN OF HAMPTON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2011**

Special Revenue Funds						Capital Projects Funds		Total
Emergency Medical	Cable TV	Recreation Infrastructure	Cemetery Trustees	Founders' Day	Fire Alarm Fund	Beach Infrastructure	Wastewater Treatment Plant	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,055
576,705	72,875	87,993	-	-	-	-	-	1,094,915
-	-	-	1	-	3,500	-	-	29,022
576,705	72,875	87,993	1	-	3,500	-	-	1,175,992
-	-	-	1	-	-	-	-	1
432,670	-	-	-	-	1,849	-	-	691,768
-	36,497	-	-	-	-	-	-	184,798
-	-	-	-	-	-	-	-	36,817
-	-	-	-	-	-	-	41,022	41,022
432,670	36,497	-	1	-	1,849	-	41,022	954,406
144,035	36,378	87,993	-	-	1,651	-	(41,022)	221,586
-	-	-	-	-	-	-	-	27,793
(125,000)	-	(62,044)	-	-	-	-	-	(187,044)
(125,000)	-	(62,044)	-	-	-	-	-	(159,251)
19,035	36,378	25,949	-	-	1,651	-	(41,022)	62,335
197,363	44,393	51,541	1,255	1,196	-	463,189	-	1,247,842
<u>\$ 216,398</u>	<u>\$ 80,771</u>	<u>\$ 77,490</u>	<u>\$ 1,255</u>	<u>\$ 1,196</u>	<u>\$ 1,651</u>	<u>\$ 463,189</u>	<u>\$ (41,022)</u>	<u>\$ 1,310,177</u>